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## IFRS Foundation Trustees

Date **13–15 June 2023**

Contacts **Henry Rees**

This document reports on a meeting of the Trustees of the IFRS Foundation, the oversight body of the International Accounting Standards Board (IASB) and the International Sustainability Standards Board (ISSB). The Trustees are responsible for governance of the IFRS Foundation and for delivery of the IFRS Foundation's objectives as set out in the IFRS Foundation *Constitution*.

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## Introduction

The IFRS Foundation Trustees met in Warsaw on 13–15 June 2023.

The Trustees' discussions were observed by Richard Sexton (Co-Chair of the Board of the former Value Reporting Foundation).

## Reports of the Chair of the Trustees and the Executive Director

The Trustees received reports from:

- the Chair of the Trustees on his recent meetings with key stakeholders, including his engagement with Takashi Nagaoka, the new Chair of the Monitoring Board; and
- the Executive Director, Lee White, on current priorities and recent activities, including progress on the 'One Foundation Programme', the ISSB's proposed adoption strategy and the Foundation's new office in Beijing, which would be [opened](#) in the week following the Trustees meeting. He also reported on recent changes in senior operational staff.

## Report of the Chair of the ISSB

The Vice-Chairs of the ISSB, Jingdong Hua and Sue Lloyd, updated the Trustees about the ISSB's activities since the March 2023 Trustees meeting (the ISSB Chair was in Bangkok for engagement with IOSCO at its annual meeting). This included updates on:

- the plans for the [launch of IFRS S1 and IFRS S2](#) on 26 June and the related activities in that week to support the launch. The Standards will be officially launched by the ISSB Chair at the IFRS Foundation's annual conference and through a week of events hosted by stock exchanges around the world, including those in Frankfurt, Johannesburg, Lagos, London, New York, Santiago de Chile; the ASEAN Capital Markets Forum is also hosting a launch event in Singapore.
- engagement with the regulatory community and IOSCO to support adoption and endorsement of IFRS S1 and IFRS S2 (discussed further as a separate agenda item below).
- plans for the Transition Implementation Group on IFRS S1 and IFRS S2, which will provide a public forum for discussion of implementation questions submitted by stakeholders on the Standards.
- ongoing work with EFRAG and the European Commission to identify common disclosures and align wording between ISSB Standards and European Sustainability Reporting Standards to avoid duplication for companies applying both sets of requirements.

- plans to publish the proposed IFRS Sustainability Disclosure Taxonomy in July for stakeholder comment. This should allow the ISSB to publish the final Taxonomy in H1 2024 thereby enabling digital reporting from the first reports published applying IFRS S1 and IFRS S2.
- the work to update references to jurisdiction-specific laws and regulation in the SASB Standards to improve their international applicability. The ISSB [published an Exposure Draft in May](#) and after considering stakeholder feedback, plans to promptly issue any amendments to the SASB Standards and the SASB Standards Taxonomy to facilitate the implementation and application of IFRS S1 (which requires companies to consider the SASB Standards in the absence of specific disclosure requirements in IFRS Sustainability Disclosure Standards).
- the capacity building program and recent activities and planned deliverables. The importance of building relationships with global partners was noted, given the ISSB has limited capacity.

## Developing stronger connections between the ISSB and the IASB

The ISSB Vice-Chair, Sue Lloyd, and the IASB Vice-Chair, Linda Mezon-Hutter, updated the Trustees on the ongoing work to develop stronger connections between the ISSB and the IASB. They noted the boards have now established infrastructure and processes to facilitate connections between them, including information sharing, consultation with each other, consistent drafting and coordinated stakeholder engagement. They updated the Trustees about the joint IASB and ISSB awayday in May and the related takeaways.

The Vice-Chairs highlighted the recent work to increase communications about the processes in place to facilitate connections between the boards and how the boards think about working together and when it may be necessary. This has included the two Chairs publishing an [article](#) on the IFRS Foundation website and presentations by the two Vice-Chairs at various advisory groups (for example, the [IFRS Advisory Council in April](#)).

## Update on the work of the Trustees Sustainable Operations Taskforce

Trustee Keiko Tashiro, Chair of the Trustees' Sustainable Operations Taskforce, together with Mardi McBrien, Chief of Strategic Affairs and Capacity Building and Jarlath Molloy, Strategic Affairs Director, updated the Trustees on the progress of the Taskforce since the last Trustees meeting. The Taskforce is a limited-life Trustee-led initiative to review the Foundation's internal sustainability strategy, policies, management systems and reporting.

The update included reporting on the work to benchmark the Foundation's Environment Social Governance (ESG) performance, the ongoing policy review and plans to implement an environmental management system. The Trustees plan to consider further steps to improve the Foundation's performance at a future meeting.

## Medium-term funding of the ISSB

Trustee Isabel Saint Malo, Chair of the Funding Committee, together with the Executive Director and Brian Gougherty, Director of Fundraising and Development, introduced a discussion about the Foundation's strategy for funding the ISSB as it moves from the initial five-year seed funding period to the medium term and beyond.

## Engagement with IOSCO and regulatory adoption approach

The Executive Director updated the Trustees about the Foundation's and the ISSB's engagement with IOSCO to keep it informed of the content of IFRS S1 and IFRS S2 and the processes for finalising the Standards. This had included engagement with the IOSCO Chair, the Secretary-General, the Secretariat, the Sustainability Taskforce and the four regional committees. IOSCO is conducting an independent assessment of the ISSB Standards, with a view to completing this review promptly following issuance of IFRS S1 and IFRS S2.

The Trustees also considered the work to develop an Adoption Guide—a document outlining the mechanisms that the IFRS Foundation and the ISSB are planning to utilise to support jurisdictional regulatory implementation of IFRS S1 and IFRS S2.

## ISSB Agenda Consultation

Sue Lloyd, ISSB Vice-Chair, together with Greg Bartholomew, ISSB Technical Staff, and Rommie Johnson, ISSB Technical Director, provided the Trustees with an overview of the ISSB's Consultation on Agenda Priorities and the associated [Request for Information published in May](#). The RFI seeks feedback on the ISSB's priorities for a two-year period commencing in 2024—including the strategic direction and balance of the ISSB's activities; the criteria for assessing the priority of new projects; and the priority, scope and structure of potential new research and standard-setting projects. The comment period ends on 1 September.

## Report of the Chair of the IASB

The Chair of the International Accounting Standards Board, Andreas Barckow, and the Vice-Chair, Linda Mezon-Hutter, reported on the IASB's activities since the March 2023 Trustees meeting. This included updates on:

- progress on the IASB's technical work plan—in the period the IASB completed three standard-setting projects and added three new maintenance and consistent application projects. Completed projects included as planned the IASB's project to amend IAS 12 *Income Taxes* in response to the OECD's Pillar Two model rules. The IASB had moved quickly to respond to stakeholder concerns, including holding a supplementary meeting in April to consider feedback to its Exposure Draft published in January. The IASB is currently consulting on related amendments to the *IFRS for SMEs* Accounting Standard. The Vice-Chair noted that in response to Trustee feedback, the IASB is now communicating information to stakeholders about the expected dates for its next milestone for all of its projects.
- the Primary Financial Statements project, for which the IASB has almost concluded its decision-making. The Chair highlighted the recent additional research and outreach (including with the European Insurance CFO Forum) undertaken before the IASB met in May to confirm its tentative decision to require all entities to classify income and expenses from associates and joint ventures accounted for using the equity method in the investing category. To help with the concerns raised by some stakeholders, the IASB decided to allow an election to measure specified investments at fair value and noted an additional subtotal that could be presented. The IASB expects to complete its planned deliberations in July and issue a new Accounting Standard in 2024.
- the IASB's awayday, including discussions on how the IASB should maintain the base of jurisdictions currently using IFRS Accounting Standards, ways to continue to enhance the IASB's efficiency and

effectiveness and work to develop a framework for strategic communications for all of the IASB's messaging.

## Earned revenue strategy

Mirjam Buyteveg, Chief of Legal, Compliance and Commercial Operations, and Nicolai Lundy, Chief of Market Relationships, provided the Trustees with an overview of current earned revenue programmes for accounting-related and sustainability-related materials. They also explained the guiding principles developed, following input from the IFRS Advisory Council in April, to define a strategy for earned revenue activities for the next two to four years.

## IFRS Foundation Transitional Advisory Group

Richard Sexton, Trustee Observer who also attends TAG meetings, reported on the TAG's meeting in May. He explained that the TAG is focusing on key strategic matters relating to realising the value of the consolidations of the CDSB and the VRF with the Foundation.

## Integrated Reporting and Connectivity Council

The Vice-Chair of the Integrated Reporting and Connectivity Council, Trustee Suresh Kana, reported on the Council's meeting on 25 April 2023. The Council next meets on 9 November 2023.

## Reports from recent Trustee Committee meetings

### Audit, Finance and Risk Committee

Maria Theofilaktidis reported on behalf of the Committee Chair that the Committee had:

- reviewed the financial results for the year to March 2023;
- been updated on contributed revenue and earned revenue;
- considered the Foundation's investment and reserves policies;
- met the Foundation's new Director of Internal Audit, Mandeep Bhatti, to consider the proposed Internal Audit Charter and how internal audit will be set-up and operate in the period to 31 December 2023;
- reviewed the changes made to the risk register since the last review, focusing on the high risks remaining after mitigating actions; and
- received a report on the Foundation's initiatives to ensure compliance with legal requirements and regulatory frameworks across all of its locations and operations.

### Digital and Technology Oversight Committee

The Chair of the Committee reported that the Committee had:

- received an update from the Foundation's new Chief Technology Officer, Madhu Mathew, on various matters including his team's priorities for 2023, progress on recent initiatives, and potential transformative technology developments on the horizon;

- been updated about the work of the recently established Technology for Business (T4B) group—this is an internal group comprising senior Foundation staff to support the DTOC in its work overseeing the Foundation’s technology strategy and operations—and approved revised terms of reference for the DTOC reflecting the establishment of the T4B;
- been updated on the ongoing independent review of the Foundation’s cybersecurity posture; and
- been updated on digital financial reporting activities for the IASB and the ISSB for facilitating digital consumption of general purpose financial reports.

## Due Process Oversight Committee

The Chair of the Committee reported on the Committee’s meeting. A [summary of the meeting](#) is attached.

## Human Capital Committee

The Chair of the Committee reported that the Committee had:

- reviewed the ongoing work relating to the Foundation’s organisational culture;
- considered the initiatives to date to address the feedback from the Foundation-wide staff engagement survey conducted in 2022 by an independent research organisation; and
- considered various other human capital matters, including recruitment of staff to support the boards and the Foundation.

## Nominating Committee

The Chair of the Committee reported on the Committee’s work relating to the nominations process for Trustees positions arising on 1 January 2024. Following Trustee approval, the Trustees’ nominations would be put forward to the Monitoring Board for its approval.

## Stakeholder engagement

The IFRS Foundation held a very successful stakeholder event on the evening of 13 June with the Ministry of Finance of Poland to exchange views on the future of international financial and sustainability reporting. The event included a welcome speech by Magdalena Rzekzkowska, Minister of Finance, an address by Erkki Liikanen, Chair of the Trustees, and a keynote speech by Marek Dietl, President of the Warsaw Stock Exchange. The moderator for the evening was Agnieszka Stachniak, Deputy Director of Value for Money and Accounting Department, Ministry of Finance, Chair of Accounting Standards Committee.

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## IFRS Foundation Trustees—Due Process Oversight Committee

Date **13 June 2023**

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## Introduction

The IFRS Foundation Due Process Oversight Committee (DPOC) [met on 13 June in Warsaw](#). The meeting was webcast live and a [recording of the meeting](#) is available on the IFRS Foundation website.

The main matters discussed were as follows.

## IASB-related matters

### Update on IASB technical activities

The DPOC considered a report providing an update on the activities of the IASB and the IFRS Interpretations Committee for the period February to May 2023. There were no matters in the report for which the DPOC was required to confirm that due process had been followed.

The DPOC was updated on progress in various IASB projects including:

- The **Equity Method** project, which the IASB had decided to move to its standard-setting work plan and work towards publishing an exposure draft as the next due process step and not publish a discussion paper. In response to questions from DPOC members, the IASB representatives explained that the IASB had concluded that it already had sufficient information to propose draft revised requirements (ie publish an exposure draft) rather than publish a discussion paper. In addition, the IASB had concluded it would obtain more useful stakeholder feedback by exposing draft requirements given the IASB is addressing specific application questions. The DPOC was also informed that the IASB would continue to use the expertise of its advisory groups instead of establishing a consultative group for the project.
- The **Primary Financial Statements** project, in which the IASB had confirmed in May its tentative decision to classify income and expense from associates and joint ventures accounted for using the equity method in the investing category. The DPOC was informed that the IASB's discussion in May represented the fifteenth discussion on this topic since the start of the project and included consideration of recent additional outreach and research. To help with the concerns raised by some stakeholders, the IASB decided to allow an election to measure specified investments at fair value and noted an additional subtotal that could be presented. The IASB expects to complete its deliberations in June and complete due process steps in July, including deciding whether to re-expose some of its decisions. The DPOC expects to undertake a life-cycle review of the due process of this project at a future meeting.
- **International Tax Reform—OECD Pillar Two Model Rules**. The DPOC noted that the IASB had published the final amendments to IAS 12 *Income Taxes* in May that respond to the implementation of

the OECD rules after considering the feedback to its exposure draft at a supplementary meeting in April. The IASB is currently seeking feedback on proposals for similar amendments to the *IFRS for SMEs Accounting Standard* that it published in June. The exposure draft has a 45-day comment period, which the DPOC had approved at its meeting in May.

- The **Climate-related risks in the financial statements** project, which the IASB had activated in March. The DPOC was informed that the project team includes a member of the ISSB technical staff and the IASB is also benefitting from the expertise of an ISSB member.

The DPOC noted that in response to its observation at the March meeting, all projects now have a date for the 'next due process step' (with appropriate caveats to explain that these dates are subject to change).

## ISSB-related matters

### Update on ISSB technical activities

The DPOC considered a report providing an update on the activities of the ISSB for the period March to May 2023. There were no matters in the report for which the DPOC was required to confirm that due process had been followed.

The DPOC was updated on various matters including:

- The supplementary meeting the ISSB held in April to introduce a transition relief in **IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information** that would allow an entity to report on only climate-related risks and opportunities in the first year it applies IFRS S1 and IFRS S2.
- The **ISSB's Consultation on Agenda Priorities**, for which the ISSB had published a Request for Information in May. The DPOC was informed that the ISSB had decided on a 120-day comment period, the usual period for this type of consultation specified in the *Due Process Handbook*, noting the points made by the DPOC when it considered the comment period at its March meeting.
- The **Exposure Draft Methodology for Enhancing the International Applicability of the SASB Standards and SASB Standards Taxonomy Updates**, which had been published in May with a 90-day comment period as approved by the DPOC in March. It was noted that the ISSB is seeking stakeholder feedback by early August and aims to finalise the amendments to the SASB Standards before the end of 2023 so that the enhanced Standards are available for those applying IFRS S1.
- The ISSB's decision to form a **Transition Implementation Group (TIG)** to discuss implementation questions submitted by stakeholders on IFRS S1 and IFRS S2. The DPOC noted the ISSB had issued a call for members of the TIG and that the DPOC will review the proposed composition of the TIG to ensure it has an appropriate balance of perspectives, including geographical balance, in line with paragraph 3.62 of the *Due Process Handbook*. The ISSB representatives explained that the question of whether there should be an interpretations committee for ISSB Standards will need to be revisited in the future. However, the TIG, similarly to the IASB's Transition Resource Groups (TRGs), should be a helpful, quick and responsive tool to address implementation questions as they arise after IFRS S1 and IFRS S2 are issued. Like the TRGs, the TIG will be a less formal mechanism than an interpretations committee, with its output largely being written summaries of its public discussions.

### **Enhancing communications about the ISSB's due process**

The DPOC considered some draft communication materials that it plans to publish for the benefit of stakeholders on the DPOC's webpages to enhance communications about the ISSB's due process. The DPOC noted it was important to be as clear as possible that the ISSB has a robust and thorough due process. In addition to the due process specified in IFRS Foundation *Constitution*, the ISSB applies—and has been applying since it started—the relevant due process specified in the *Due Process Handbook* for technical activities, even though the *Handbook* predates the establishment of the ISSB. The DPOC noted some suggested improvements to the draft materials.

As a general point, the challenge for the Foundation to publish consultations and other documents in languages other than English was noted. However, it was suggested that consideration be given to publishing related communications on social media in other languages to encourage broader participation.

The DPOC Chair noted that the DPOC is expected to have a public discussion about updating the *Due Process Handbook* to reflect the establishment of the ISSB at its meeting in Panama in October.

### **Correspondence**

The DPOC noted that no correspondence had been received that required its attention.